Chain Store Age
EXECUTIVE
Shopping Center Age
March 1984

SPECS '84 CALENDAR

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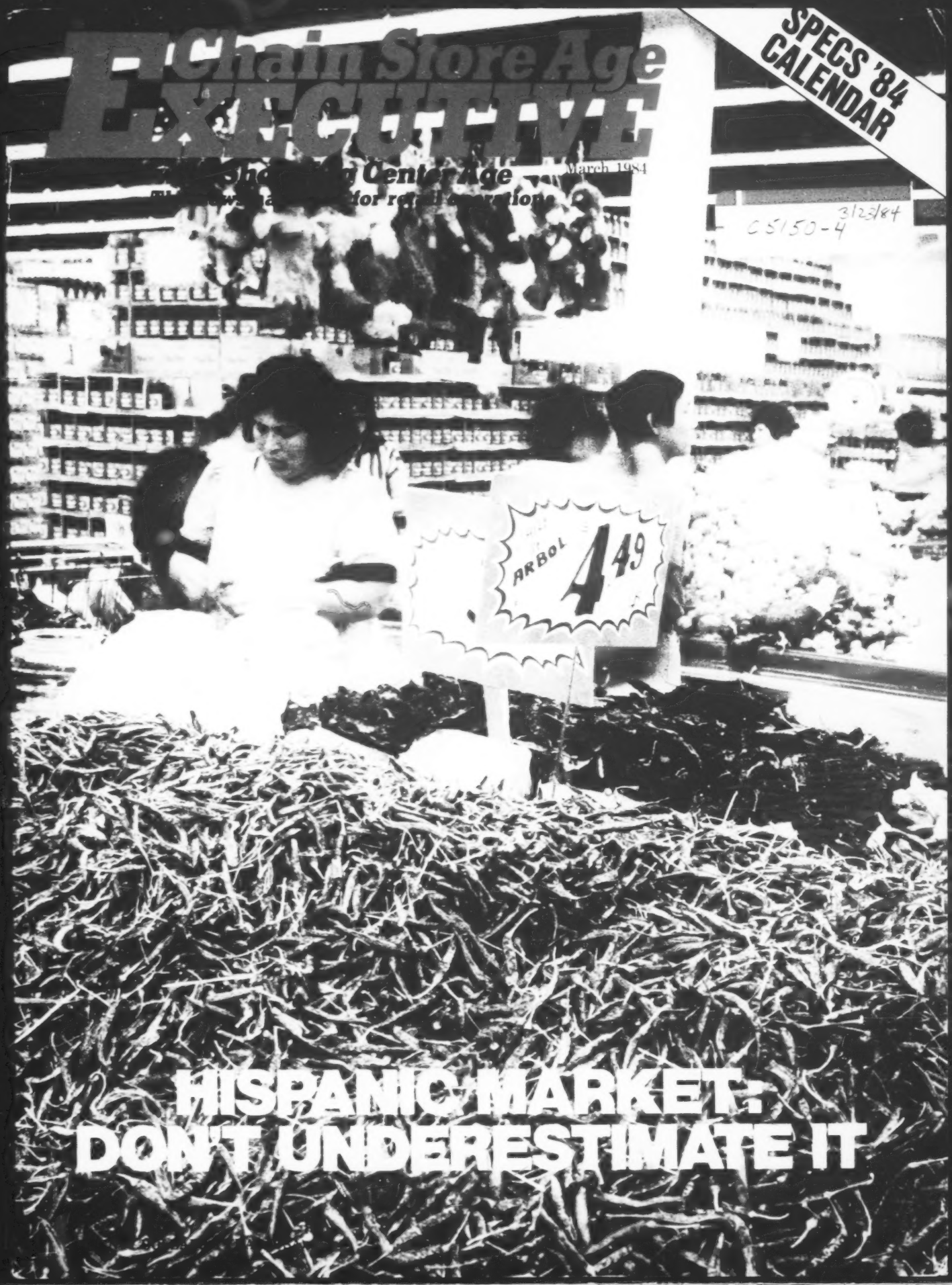

HISPANIC MARKET: DON'T UNDERESTIMATE IT

Chain Store Age EXECUTIVE Volume 60, No. 3/March 1984

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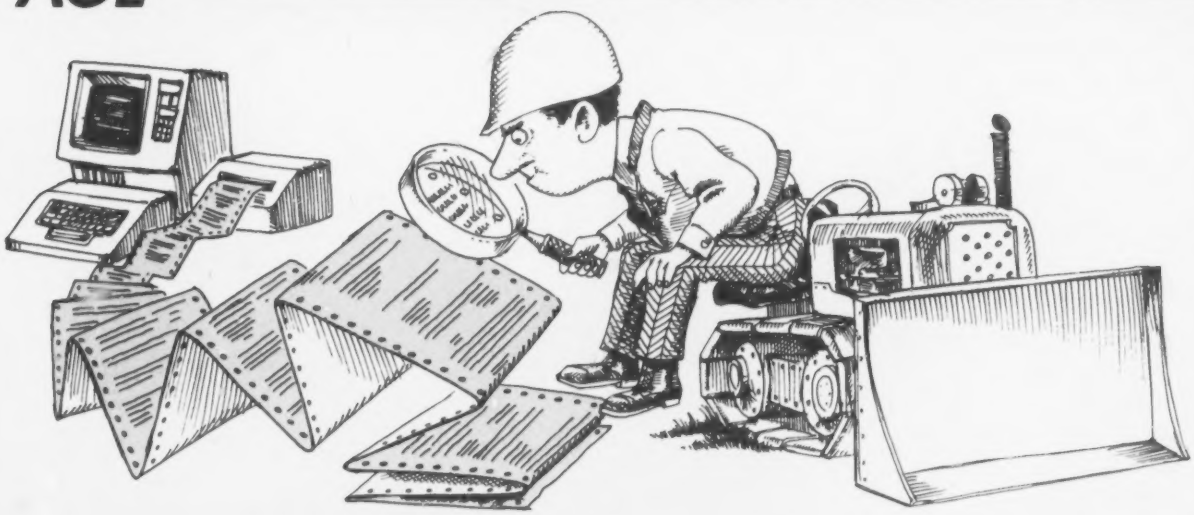


Developers track the data

Increased availability of more detailed demographic information is causing a re-evaluation of traditional methods of site selection

As developers play the numbers game in site selection, they are starting to look at more than face values. By analyzing what the numbers actually mean, they are able to more accurately assess the sales and profit potential of their development activities. One result is that they are starting to recognize opportunities in geographic regions they may have passed by before.

"Developers are looking at the numbers more precisely and scientifically than ever before, even questioning the methodology by which the projections are made," says Don Wood, vp, general manager for Donnelley Marketing Information Services which entered this area approximately one year ago.

While interest continues in such traditional measurements of trading area potential as population growth trends, income and number of households, "There is also a great deal more interest being shown today by developers and retailers in lifestyle segmentation," according to Wood. This begins with such basic market area statistics as age of the population, occupation and household size (including number of children living at home) but can extend to include measurements of consumers' interests, activities and stage in the life cycle.

To aid in the analysis of such data, a number of market research firms are starting to use "cluster analysis" as a statistical technique. Donnelley's offering is Cluster-Plus which displays 47 lifestyle classifications for any designated marketing area. These range from "top income, highly educated professionals" to the lowest categories on the socioeconomic scale.

As an example of how Cluster-Plus data can be put into action, Wood recalls that while doing a study of an area of Marietta, Ga., "We discovered approximately 50% of the population fell into one of the 47 categories, 'Younger, mobile professionals, homeowners, children.'

"When a developer runs into this type of situation, he had better make sure that he has a tenant mix that will make everybody happy—this would be a particularly good location for toy stores, for sporting goods stores and for other types of retail establishments which fill the needs of this younger, active potential clientele."

Wood adds that "This calls for a totally different mix than someone would look for in an area that is primarily high-rises and where there are no children." To cull its information, Donnelley uses a base of over 73 million households.

Other lifestyle segmentation services include C.A.C.I.'s ACORN and Claritax's PRIZM, both based on geodemographics. ACORN, or A Classification of Residential Neighborhoods, divides consumers into block groups, averaging 250 to 300 households per group. Each group can be analyzed through over 300 measurements to which cluster analysis is applied and 44 lifestyle types are defined, linking them directly to geography.

The PRIZM system utilizes zip codes and applies over 1,000 United States Census demographic measures to each of the 35,600 residential zip-code neighborhoods. Through analysis and classification of the results, these neighborhoods are assigned to one of 40 ZIP-Market Clusters. Each of these is believed to represent a distinct neighborhood lifestyle and to indicate predictable patterns of buying behavior.

Michael Stansbury, president of National Decision Systems, believes his company has developed a demographic screening model that takes such analysis further. With this model, it is able to analyze demographic and lifestyle data to determine actual benchmarks for the success of any project.

"Developers are able to order printouts from us that interpret data indicating what types of tenants they will, or can, attract, and which they

will not attract, giving them a powerful tool when leasing a center. Very few firms have the capability to offer that sort of analysis," says Stansbury.

Using such statistical tools, demographic analysis also enables close estimates to be made of the actual sales dollars that a developer or retailer can expect to generate at a particular location.

The increasing availability of such detailed information is one of the chief reasons that "We are definitely seeing an increase in development in the Northeast, among other areas," observes Stansbury. "By having more sophisticated information, developers know the market better, can carefully analyze the competitive situation and minimize some of their risks."

Interest in this particular region is somewhat of a switch from the past few years when most of the major development companies have been passing the Northeast by. They were lured south by the strong population growth, the seemingly unlimited supply of land and the relative ease of building in the Sunbelt states.

But now, just as some of the glow of the Sunbelt is starting to dim (particularly in Texas), the Northeast is having a resurgence of sorts.

"When you look at New England, and New York and New Jersey too, you see a fairly substantial restoration of the economy," points out James Newton, director of economic research for Management Horizons.

"In New England particularly, the economy has gotten out of heavy manufacturing, textiles and other very cyclical industries and more into high-tech, service-related types of employment."

High-tech companies are also beginning to cluster around the headquarters of General Electric and IBM in New York's Hudson Valley, and near Eastman Kodak's Rochester, N.Y., headquarters.

Service-related companies are busy moving their headquarters to central New Jersey's business corridor while firms in Connecticut, Massachusetts and New Hampshire are all expected to benefit from increases in defense spending.

The result of all this activity is that "although the population in the Northeast may not be growing as quickly as in some other geographic areas, the growth is coming through a relatively highly educated population with high income," says Newton.

He concedes that economic and retail projections from the United States Department of Commerce for the nation's census divisions, "along with everything we've done and everything anyone else has done," indicate above average growth in the South and West and below average growth in the Northeast and North Central areas.

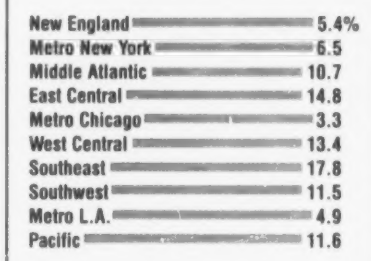
But he cautions retailers and developers to look beyond simple growth rates and recognize "to a large degree that growth is population-driven only. It may not necessarily be a highly employed, high-income population." As an example, he points to Texas where, although one of the top three growth areas, employment for new arrivals is becoming a growing problem, particularly given the collapse of oil and energy-related industries.

He feels that a more realistic view of market potential is available by looking at per capita sales growth figures "which more accurately represent the true growth potential for such vital factors as sales per square foot."

When retail sales are examined on this basis, with the "population veneer" stripped away, Newton's projections show New England with an average annual per capita growth rate in total retail sales for the period 1983-88 (based on 1972 dollars) at 2.8%. This compares to 2.2% for the West South Central Region and 1.8% for the Middle Atlantic States. (The fastest growing region, at 3.2%, is expected to be the South Atlantic. *See accompanying map.*)

Share of population

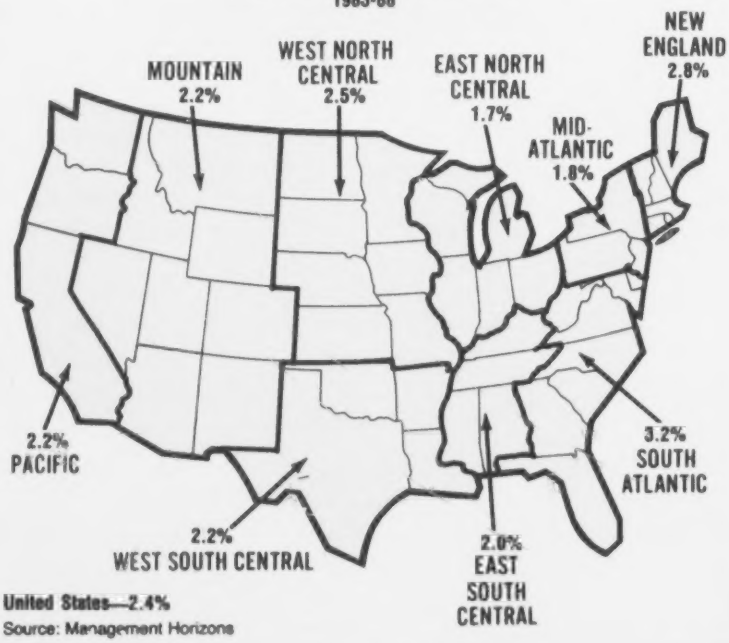
(Year ended Aug. 1, 1983)



Source: A. C. Nielsen Marketing Research

Total retail sales (1972 $)

Average annual per capita growth rates 1983-88



United States—2.4%

Source: Management Horizons

Per capita disposable income

	1982 effective buying income*	% change from previous year
Total United States	$ 8,706	+ 9.7%
New England	9,344	+10.8
New York	10,357	+11.4
Mid-Atlantic	9,078	+10.7
East Central	8,452	+10.1
Chicago	10,284	+ 9.3
West Central	8,490	+ 7.1
Southeast	7,366	+ 9.9
Southwest	8,421	+11.4
Los Angeles	9,867	+ 8.8
Remaining Pacific	9,083	+ 8.9

*Sales mgmt. estimate
Source: A. C. Nielsen Marketing Research

Adding to the viability of the Northeast region is that its unemployment rate is now back down in single digits while the jobless rate in certain areas of Texas, where the recovery has hardly started, is still double-digit.

An indication of continuing strong growth is a forecast by Data Resources Inc. that indicates that real output in the Northeast region will grow 4.1% annually from 1983 to 1988. This compares favorably to the Sunbelt's expected 4.8%, and is a clear-cut improvement on the region's 1.4% rate over the past five years.

Yet, for the developer, the region holds still another attraction, points out Stansbury. There is simply less new competition.

It is quite likely that several of what Stansbury describes as "new concept" retail projects (most often enclosed regional malls) may open near to each other over a relatively short period of time in some Sunbelt markets. But in the Northeast when a developer brings in a new center or renovates an old one, this is much more likely to be the only project going on in town.

For all of the positive aspects of the Northeast, it's true that many market areas already have sufficient, if not more than sufficient, retail facilities to meet current population needs. However, there still exist certain select areas of market opportunity.

For example, Kravco has recently announced plans to construct a large regional center 12 miles outside Atlantic City, N.J., scheduled to open in late 1985 or 1986. (Atlantic City is reported to be one of the fastest growing markets for retail sales in the country.) Kravco also has in the works a possible new full-scale regional center near Philadelphia.

Other examples include Pyramid's new Crossgates Mall (*Chain Store Age Executive*, October 1983); the Fox Run Mall in Newington, N.H., recently opened by State Properties of New England; another State Properties project, The Crystal Mall, just getting under way in Connecticut, and the Danbury Fair Mall, in Danbury, Conn., being developed by Wilmorite. (Wilmorite is also developing a new project near Rotterdam, N.Y.)

Even the big nationals are returning to the region. One example is Ernest Hahn which, barring any more community delays, is finally going ahead with its Bridgewater Commons, a regional center in Bridgewater, N.J.

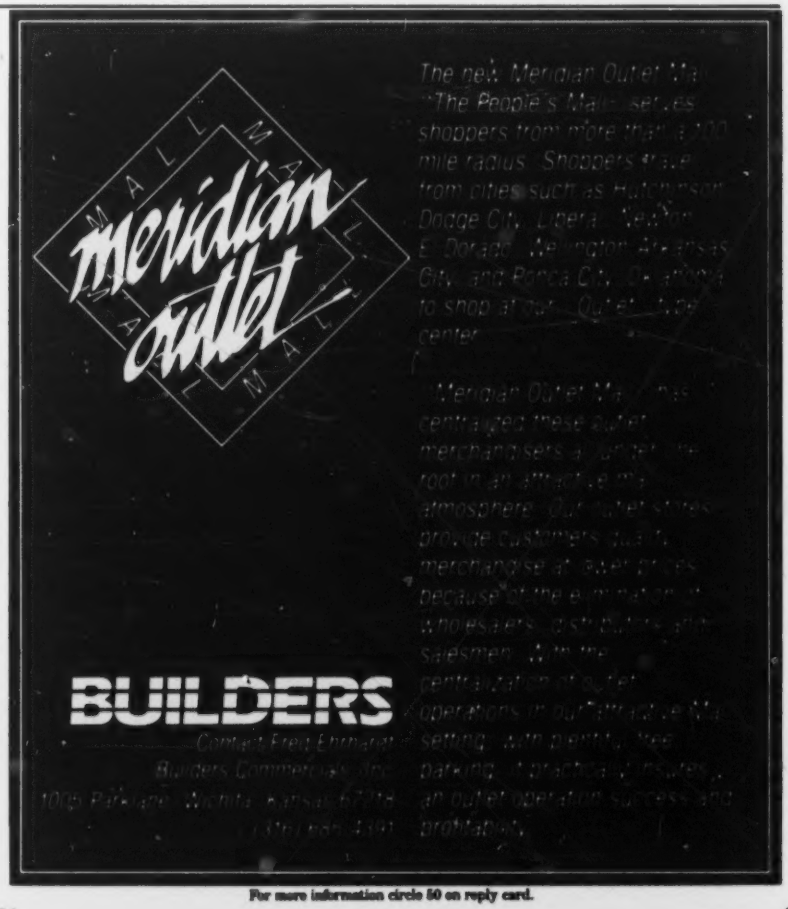
Such projects illustrate the fact that even in a market that at first glance appears over-saturated with retail projects, there remain "pockets of opportunity." (Less than 10 miles outside of New York City, in Secaucus, N.J., the Harmon Cove regional mall is under consideration.)

Besides regional malls, for which sites are admittedly severely limited, the Northeast is also characterized by a large number of aging, but still viable, downtown areas.

Whatever the type of development, most of the experts agree that with the emergence of extremely detailed market information, the Northeast once again represents a viable area for retail growth.

In fact, Newton goes so far as to say, "I think that the Northeast is more than just viable. In fact, in some respects, for some types of retailing, it could be a prime area for expansion." ■

—Jacquelyn Bivins



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